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**CITIZENS FOR GEORGE RYAN, TOP AIDES FAWELL AND JULIANO INDICTED ON
ALLEGED CORRUPTION CHARGES INVOLVING SOS OFFICE AND CAMPAIGNS**

RICO indictment includes fraud, bribery and obstruction acts; perjury and tax violations

CHICAGO -- The political campaign committee of Gov. George Ryan and two former top committee officials who also served as key aides during Mr. Ryan's 1991-99 tenure as Illinois Secretary of State were indicted today for allegedly engaging in a pervasive pattern of fraud and corruption while working for then-Secretary of State Ryan and on political campaigns for Mr. Ryan and others. Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois, announced the charges as part of *Operation Safe Road*, the ongoing four-year-old investigation of public and political corruption. The defendants, **Citizens for George Ryan, Sr.**, the 28-year-old state campaign fund-raising committee that supports Mr. Ryan's campaign efforts, and **Scott Fawell**, formerly chief of staff to Secretary of State Ryan and the principal decision-maker for Citizens for Ryan, were charged with racketeering, mail fraud and conspiracy to obstruct justice in a 10-count indictment returned today by a federal grand jury. Fawell, appointed by Governor Ryan in 1999 as CEO of the Metropolitan Pier and Exposition Authority, also was charged with theft of government funds, perjury before a federal grand jury and filing false federal income tax returns. A third defendant, **Richard Juliano**, a Secretary of State employee under Fawell and a top Ryan campaign aide, was charged with one count of mail fraud.

According to the indictment, Fawell, Citizens for Ryan (CFR), Juliano, the Secretary of State (SOS) Office and others known and unknown were associated in fact and constituted a racketeering enterprise -- referred to as the Citizens for Ryan-SOS Office Enterprise -- which, beginning no later than 1992 and continuing to at least October 1999, engaged in a pattern of criminal activity that included 20 acts of mail fraud, bribery and obstruction of justice. The primary objectives of the enterprise allegedly were: 1) to illegally use and divert SOS employees and resources to promote and benefit CFR and Fawell-supported campaign activities; 2) to perform official acts in return for campaign benefits to CFR, Fawell and other agents of CFR; and 3) to conceal and otherwise protect certain SOS employees and campaign activity performed on behalf of CFR from public exposure, administrative action and possible criminal prosecution.

Fawell, 44, of St. Charles, served as Mr. Ryan's chief of staff from February 1992 to January 1999. Acting as CFR's principal decision-maker during that same period, he took a leave of absence in February 1998 to work full-time as campaign manager for Mr. Ryan's 1998 gubernatorial campaign, while retaining substantial control and authority in the SOS Office, according to the indictment. From 1995 through 1999, Fawell operated SRF Consulting and received income from an unnamed individual identified as "Vendor A."

Juliano, 34, of suburban Washington, D.C., and formerly of Park Ridge, was a full-time SOS employee at various times from February 1991 through October 1995, and was an annual contract employee from October 1995 through February 1998. He was campaign manager for CFR in 1994 and deputy campaign manager in 1998, reporting directly to Fawell, while also retaining substantial authority in the SOS Office. Juliano has authorized the government to disclose that he is cooperating in the *Safe Road* investigation and will plead guilty to the mail fraud count. He resigned last week from the U.S. Department of Transportation.

CFR and Fawell were charged with two counts of mail fraud and one count each of racketeering and conspiracy to obstruct justice. Fawell alone was also charged with one count of theft of government funds, perjury and four counts of filing false federal income tax returns. The indictment also seeks forfeiture of the proceeds and benefits of the alleged racketeering activity, including at least \$1 million maintained in three bank accounts maintained by CFR. As substitute assets, it seeks forfeiture of five bank or brokerage accounts maintained by Fawell or SRF Consulting, as well as Fawell's St. Charles residence. All three defendants will be arraigned in U.S. District Court at a later date.

"The indictment sets forth disturbing allegations that resources of the Secretary of State's Office – including personnel, contracts, salaries and benefits – were routinely plundered for the benefit of political campaigns run or supported by Citizens for Ryan. More troubling, when allegations of illegal activity began to surface at the Secretary of State's Office, the response of the defendants was to terminate the investigations and even the investigators. Still later, when a federal investigation became known, the response was to shred documents, wipe computers clean and to commit perjury before a federal grand jury. For a period spanning seven years, Citizens for Ryan conducted itself as a criminal enterprise – today, the grand jury returned an indictment so charging."

Mr. Fitzgerald announced the charges with Thomas J. Kneir, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation; Thomas P. Brady, Acting Inspector-in-Charge of the Northern Illinois Division of the U.S. Postal Inspection Service; Sherree Preston, Acting Special Agent-in-Charge of the Internal Revenue Service Criminal Investigation Division; and Dieter Harper, Special Agent-in-Charge of the Midwest Region of the U.S. Department of Transportation Office of Inspector General.

Mr. Kneir of the FBI said: “Corruption of a public official, at any level, deprives the taxpayers of fair and honest government. These allegations will continue to be vigorously investigated by the FBI whenever and wherever they arise.”

The indictment alleges that since at least 1992, CFR sponsored and hosted annual spring and fall fund-raising events for SOS employees; that tickets for these events were distributed by supervisors to employees, and that CFR maintained records tracking ticket distribution and sales, which generated approximately \$500,000 a year.

Between 1993 and January 1999, CFR, Fawell and Juliano allegedly schemed to defraud the people of the State of Illinois of money and property and their intangible right to honest services of certain SOS employees. CFR and Fawell, assisted by Juliano and other agents of CFR, authorized campaign activity on state time by certain SOS employees and provided them with promotions, pay raises and other benefits in return for the performance of campaign work, despite written policies restricting such practices, the indictment alleges. In chronological order, the racketeering count alleges that the fraudulent diversion of SOS employees and resources included the following activities:

- **Campaign efforts on behalf of State Senator A** – Fawell diverted SOS employees and resources to assist the March 1994 primary election campaign of State Senator A, who served in the Illinois Senate from 1983 through 1998, including directing Juliano and others to perform campaign activities on state time. From 1994 through 1998, Fawell directed one of his SOS assistants to compile the regular campaign financial reports and perform other services on behalf of State Senator A on state time using state resources;
- **The 1994 re-election campaign** – Fawell, Juliano and others caused numerous SOS employees who agreed to participate to routinely perform campaign work on state time. They also caused the fraudulent diversion of SOS assets to benefit CFR, thus causing the State of Illinois to incur costs on CFR’s behalf, in order to reduce CFR’s operating costs. Fawell and others caused the creation of false “justification” memos and other internal SOS documents to support awarding such benefits as pay raises and promotions to SOS employees as a reward for performing campaign work;

- **Protecting the Citizens for Ryan-SOS Office fund-raising apparatus** – Fawell mandated and enforced political fund-raising goals for SOS departments to benefit CFR, and certain supervisors directed and encouraged SOS employees to violate the law and SOS policies to raise campaign funds for CFR. By December 1994, Fawell and other high-ranking SOS officials were aware that agents of the SOS Inspector General (IG) Department had obtained information and made inquiries into alleged misconduct involving fund-raising, including the following: 1) in March 1993, IG agents were investigating alleged misconduct by employees of the Libertyville licensing facility that appeared motivated by sales of CFR fund-raising tickets by one or more SOS employees; 2) in April 1994, IG agents were investigating alleged misconduct by an employee of the Naperville licensing facility that appeared motivated by CFR ticket sales; and 3) in November 1994, an IG agent received information indicating that a truck driver involved in a fatal traffic accident may have illegally obtained his commercial driver's license at the McCook licensing facility, the same facility where there had been other recent allegations of license selling involving the facility manager. In December 1994, Fawell recommended terminating and reassigning certain IG employees in order to discourage the investigation into improper political fund-raising activities and related misconduct benefitting CFR. Fawell allegedly created documents falsely justifying the decision to dismantle the IG department based on budgetary cutbacks. However, Fawell intended to dismantle the IG department, at least in part, to prevent investigations into SOS Office fund-raising activities to benefit CFR.

In February 1995, Fawell personally terminated the IG agent who led the Libertyville inquiry, falsely blaming budgetary cutbacks. In June 1995, he caused the termination of another agent who participated in the Naperville investigation and had inquired about the November 1994 fatalities, and he reassigned another agent working the Naperville investigation and at least four other IG agents to duties unrelated to the investigation of SOS employee official misconduct. As a result, the IG department was disabled from fulfilling its duty to investigate employee misconduct. Afterward, Fawell directed and advised the Inspector General to disregard issues relating to the sale of fund-raising tickets by SOS employees;

- **The 1996 presidential primary** – In the spring of 1995, Fawell, assisted by Julianio and others, arranged for certain SOS employees to perform campaign activities on behalf of a Republican 1996 presidential primary candidate who was endorsed by George Ryan. Fawell arranged for certain agents of CFR, including Julianio and another individual, to be compensated for work on this campaign by a company affiliated with Vendor A. The payments were made by Company A, rather than by the presidential primary campaign, at least in part, to conceal from public disclosure the identities of SOS employees performing campaign activity, including on state time. Fawell received his payments in the name of SRF Consulting. Between the fall of 1995 and

February 1996, Fawell, Juliano and another individual received a total of approximately \$30,000 through Company A related to this campaign;

- **The 1996 Illinois House of Representatives Races** – From August to November 1996, Fawell and agents of CFR authorized and encouraged numerous SOS employees to serve as campaign coordinators, using state time and resources, in targeted races for the Illinois House of Representatives. Fawell and others caused the falsification of SOS personnel records, vehicle logs and mileage reimbursement forms to conceal the performance of campaign work on state time. Fawell arranged for the campaign coordinators to be compensated for their campaign work by another company owned by Vendor A (Company B), at least in part, to conceal that SOS employees were routinely performing campaign work on state time. From August through October 1996, Fawell and selected campaign coordinators received a total of approximately \$100,000 from Company B for their campaign work. In October 1996, CFR made a \$100,000 loan to the House Republican Campaign Committee. In September 1997, half of the loan was repaid and the remaining half was forgiven; and
- **The 1998 Gubernatorial Campaign** – From February through August 1998, Fawell, assisted by Juliano and others, fraudulently obtained full-time CFR work for numerous SOS employees for particular time periods during the campaign, when these employees remained on the SOS payroll on at least a part-time basis. These diverted employees were assigned to work at CFR offices in Chicago, Homewood and Springfield, resulting in the SOS Office incurring substantial portions of the salary and benefits of the diverted employees. As part of the fraud scheme, Fawell, Juliano and others caused the SOS Office to purchase office supplies and equipment with SOS funds to be diverted for campaign use, and CFR used state-issued vehicles, cell phones and other state-issued equipment, including computer services, for campaign work. In October 1998, the defendants caused the SOS Office to create jobs and job descriptions to place numerous full-time CFR employees on the SOS payroll for approximately two months following the November 1998 election.

The indictment also alleges that as part of the fraud scheme charged in the racketeering count, Fawell performed and authorized official actions by the SOS Office, some to benefit Vendor A, in return for pecuniary benefits and the promise of such benefits to CFR and himself. Specifically, the indictment alleges that:

- in August 1994, Fawell authorized the award of contracts relating to the promotion and marketing of the SOS Office Organ Donor Program to a nominal third party for the benefit of Vendor A to conceal Vendor A's

participation. In exchange, Vendor A agreed to raise campaign funds for CFR and to provide certain professional services;

- In the fall of 1996, Vendor A agreed to make \$100,000 in payments to the 1996 Illinois House of Representatives campaign coordinators from Company B, including \$10,000 to Fawell, through SRF Consulting, for campaign work. Shortly after the 1996 election, in about December 1996, Fawell and another SOS official authorized the creation of an SOS position to Vendor A for the principal purpose of fraudulently enhancing Vendor A's state pension benefits. Fawell caused the creation of false personnel records indicting that hiring Vendor A was an "emergency" for a critical SOS project. In February 1997, having done little or no work, but qualifying for enhanced pension benefits, Vendor A resigned from the SOS position;
- Between 1991 and 1998, Fawell accepted free and heavily-subsidized vacations and vacation benefits to Costa Rica, Door County, Wis., and Lake Ontario, Canada, from Vendor A. Fawell failed to disclose the benefits he received on state-mandated Statement of Economic Interest;
- Fawell authorized the award of low-digit and specialty license plates on certain occasions in return for political contributions to CFR and a second political campaign fund, identified as "Political Fund B."

According to the indictment, it was part of the effort to conceal the fraud scheme that, during the 1998 gubernatorial campaign, Fawell and others discarded and destroyed documents and computer material that reflected the scheme in the face of media scrutiny and state criminal investigations. On Sept. 30, 1998, the indictment alleges that Fawell and others directed a CFR employee in the Homewood office to destroy and discard certain documents relevant to a media inquiry and state criminal investigations concerning the alleged improper diversion of SOS employees and resources for the 1996 Illinois House races. The Homewood employee then directed the shredding and destruction of documents linking SOS employees to the 1998 campaign late into the evening, and garbage bags full of shredded material were ordered disposed of away from the CFR office to avoid discovery by the media or law enforcement. After learning of a state police investigation into diversion of state equipment for campaign purposes, Fawell and other CFR agents

caused the use of computer “wiping” equipment to delete all files created by SOS employees that contained campaign-related material from state computers.

In the obstruction of justice prong of the racketeering count, the indictment alleges that in September 1998, after Fawell became aware of the current federal investigation, he and other CFR agents in Chicago and Springfield destroyed, discarded, burned, removed and failed to preserve documents that were relevant and material to the grand jury investigation. On Sept. 8, 1998, Fawell directed SOS employees to destroy and remove campaign documents from the SOS Office in Chicago, including directing an official in the Chicago executive offices to collect, shred and destroy such documents as campaign-related financial reports, low-digit license plate requests, candidate schedules, campaign press releases, computer files and volunteer information. In response to a Sept. 8, 1998, grand jury subpoena, Fawell allegedly made no effort to preserve relevant documents and, instead, altered existing document retention policies to prevent documents relating to SOS employee fund-raising and other matters from being provided to the grand jury.

On Oct. 13, 1998, Fawell appeared before a federal grand jury as custodian of records for CFR and allegedly committed perjury by providing false statements under oath regarding his knowledge of and involvement with political fund-raising activities by SOS employees, among other things. Fawell faces a separate count of perjury, which contains portions of his alleged false testimony. Contrary to his testimony, it charges that he knew, in truth and fact, that: 1) CFR continued to maintain certain records from spring and fall political fund-raisers relating to SOS department participation, even after he caused responsive fund-raising records to be discarded and destroyed following the beginning of the grand jury Investigation; 2) he never requested SOS employee Mike Chamness or other heads of the biggest SOS departments to keep fund-raising records; 3) he was aware that employees were directed and encouraged to sell fund-raising tickets; 4) he was aware of a goal or quota system of the SOS department directors, in which he established

and closely monitored fund-raising activities they engaged in; and 5) beginning no later than 1993, he had personal knowledge of the systematic distribution of fund-raising tickets to SOS employees, including department directors; advocated for ways to encourage and pressure SOS employees to sell fund-raising tickets; and discouraged fund-raising ticket inquiries by the IG Department.

In October 1999, Fawell caused others, including a former CFR employee, to destroy documents and to attempt to destroy a computer zip drive containing numerous documents that revealed portions of the fraud scheme.

The alleged conduct forming the obstruction prong of the racketeering count also forms the basis of a separate count of conspiracy to obstruct justice against CFR and Fawell. The last four counts of the indictment charge Fawell alone with failing to report income he received from “consulting” services and “commissions” on his federal income tax returns for each year from 1995 through 1999.

The charges against CFR, Fawell and Julianio bring to 48 the number of defendants who have been charged since *Operation Safe Road* began in 1998. The government is being represented by Assistant U.S. Attorneys Patrick M. Collins, Zachary T. Fardon and Joel R. Levin.

If convicted, on each count against it, CFR faces a maximum penalty of five years probation and a \$500,000 fine. Fawell, if convicted, faces the following maximum penalties: racketeering, 20 years in prison; theft of government funds, 10 years; mail fraud, perjury and conspiracy to obstruct justice each carry 5 years; and filing false tax returns, 3 years in prison. In addition, each count carries a maximum fine of \$250,000, or, as an alternative, the mail fraud and racketeering counts carry a maximum fine of twice the gross gain to any defendant or twice the gross loss to any victim, whichever is greater. In addition, conviction on the tax counts carries mandatory costs of prosecution in addition to civil liability for any taxes, penalties and interest owed. Julianio, if convicted, faces a maximum penalty of five years in prison and a \$250,000 fine, or a fine equal to

twice the gross gain to any defendant or twice the gross loss to any victim, whichever is greater. The Court, however, would determine the appropriate sentence to be imposed under the United States Sentencing Guidelines.

The public is reminded that an indictment contains only charges and is not evidence of guilt. The defendant is presumed innocent and is entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

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